

Message Text

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SUBJECT: STEEL RESOLUTION
FOLLOWING IS TEXT OF STEEL RESOLUTION ISSUED BY
SECRETARIAT JULY 28 REFLECTING RESULTS OF
DISCUSSIONS IN AD HOC STEEL GROUP JULY 26-27.

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BEGIN TEXT

DRAFT RESOLUTION ON STEEL

PROBLEMS

1. THE WORLD'S STEEL INDUSTRY IS EXPERIENCING
SERIOUS DIFFICULTIES OF BOTH A CYCLICAL AND STRUC-
TURAL NATURE. THESE DIFFICULTIES ARE WIDESPREAD
AND ARE CHARACTERIZED BY:

- PERSISTENT EXCESS CAPACITY;
- AN EXCEPTIONALLY LOW LEVEL OF DEMAND
- MARKED CHANGES IN TRADITIONAL TRADE

PATTERNS;

- MAJOR DISLOCATIONS OF LABOUR, FREQUENTLY
IN AREAS ALREADY EXPERIENCING HIGH UN-
EMPLOYMENT;
- DEPRESSED FINANCIAL PERFORMANCE AMONG
- PRODUCERS, WHICH HOLDS DOWN INVEST-
MENTS NEEDED FOR MODERNISATION AND
RATIONALISATION OF PLANTS;
- INCREASING GOVERNMENTAL INTERVENTION
IN STEEL SUPPLY AND DEMAND, ESPECIALLY
WITH FOREIGN TRADE.

2. IN VIRTUALLY ALL MAJOR STEEL-PRODUCING NATIONS,
STEEL OCCUPIES A CENTRAL PLACE IN THE NATIONAL
ECONOMY. IN A NUMBER OF MAJOR AREAS, THE MAGNITUDE
OF STRUCTURAL PROBLEMS CONFRONTING THE STEEL SECTOR
AND RESULTANT SOCIAL AND ECONOMIC IMPLICATIONS OF
THE NECESSARY STRUCTURAL ADJUSTMENTS ARE SUBSTANTIAL.
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3. THE INTERRELATIONSHIP OF DEVELOPMENTS IN THE
STEEL SECTORS FROM COUNTRY TO COUNTRY AND THE POTEN-
TIAL THAT UNILATERAL ACTIONS AND POLICIES CAN AGGRA-
VATE THE PROBLEMS OF OTHERS, HAVE BECOME CLEAR. THE
CONVERGENCE OF CYCLICAL PROBLEMS AMONG MANY NATIONS
SERVES TO INTENSIFY THE PROBLEMS FACED BY EACH. THERE
IS GENERAL RECOGNITION THAT THERE MAY WELL BE RECURR-
ING CYCLICAL DIFFICULTIES.

OBJECTIVES

4. IN VIEW OF THESE DIFFICULTIES, GOVERNMENTS NEED
TO WORK CLOSELY TOGETHER IN ORDER TO:

- ENSURE THAT TRADE IN STEEL WILL REMAIN AS UNRESTRI-
CTED AND FREE OF DISTORTION AS POSSIBLE.
RESTRICTIVE ACTIONS SHOULD BE AVOIDED AND, WHERE
NECESSARY, STRICTLY LIMITED IN SCOPE AND TIME, AND
IN CONFORMITY WITH GATT RULES OPEN BRACKETS (1) CLOSE
BRACKETS;

BEGIN FOOTNOTE

OPEN BRACKETS (1) IT IS NOTED THAT REFERENCES TO
GATT RULES AND PROVISIONS IN THIS TEXT DO NOT ALTER
THE GATT RIGHTS AND OBLIGATIONS OF INDIVIDUAL

MEMBER COUNTRIES. CLOSE BRACKETS

END FOOTNOTE

- ENCOURAGE REDUCTION OF BARRIERS TO TRADE;
- ENABLE GOVERNMENTS TO ACT PROMPTLY TO COPE WITH
CRISIS SITUATIONS IN CLOSE CONSULTATION WITH
INTERESTED TRADING PARTNERS AND IN CONFORMITY WITH
AGREED PRINCIPLES;
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- FACILITATE NEEDED STRUCTURAL ADAPTATIONS THAT WILL
DIMINISH PRESSURES FOR TRADE ACTIONS AND PROMOTE
RATIONAL ALLOCATION OF PRODUCTIVE RESOURCES WITH THE
AIM OF ACHIEVING FULLY COMPETITIVE ENTERPRISES;
- ENSURE THAT MEASURES AFFECTING THE STEEL INDUSTRY
ARE CONSISTENT TO THE EXTENT POSSIBLE WITH GENERAL
ECONOMIC POLICIES AND TAKE INTO ACCOUNT IMPLICATIONS
FOR RELATED INDUSTRIES, INCLUDING STEEL-CONSUMING
INDUSTRIES;
- AVOID ENCOURAGING ECONOMICALLY UNJUSTIFIED INVEST-
MENTS WHILE RECOGNIZING LEGITIMATE DEVELOPMENT
NEEDS;
- FACILITATE MULTILATERAL CO-OPERATION CONSISTENT WITH
THE NEED TO MAINTAIN COMPETITION, TO ANTICIPATE AND,
TO THE EXTENT POSSIBLE, PREVENT PROBLEMS.

5. TO ACCOMPLISH THESE OBJECTIVES, IT IS HEREBY
RESOLVED THAT A STEEL COMMITTEE BE ESTABLISHED.

COMMITTEE FUNCTIONS

6. THE STEEL COMMITTEE WILL MEET REGULARLY AND IN
SPECIAL SESSIONS AS REQUIRED TO:

(1) CONTINUOUSLY FOLLOW NATIONAL, REGIONAL AND WORLD
SUPPLY AND DEMAND CONDITIONS IN STEEL AND CLOSELY
RELATED INDUSTRIES, INCLUDING STEEL-CONSUMING INDUS-
TRIES, WITH A VIEW TO IDENTIFYING POTENTIAL PROBLEMS
AND IMPLICATIONS AND MAKING ASSESSMENTS AND FORECASTS
AVAILABLE TO ALL INTERESTED PARTIES;

(2) CONTINUOUSLY FOLLOW THE EVOLUTION OF NATIONAL
REGIONAL AND WORLD STEEL INDUSTRIES WITH REGARD TO
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EMPLOYMENT, PROFITS, INVESTMENTS, CAPACITY, INPUT
COSTS, PRODUCTIVITY, AND OTHER ASPECTS OF VIABILITY AND

COMPETITIVENESS;

(3) DEVELOP COMMON PERSPECTIVES REGARDING EMERGING PROBLEMS OR CONCERNS IN THE STEEL SECTOR AND ESTABLISH, WHERE APPROPRIATE, MULTILATERAL OBJECTIVES OR GUIDELINES FOR GOVERNMENT POLICIES;

(4) REGULARLY REVIEW AND ASSESS GOVERNMENT POLICIES AND ACTIONS IN THE STEEL SECTOR IN THE LIGHT OF THE CURRENT SITUATION, AGREED MULTILATERAL OBJECTIVES AND GUIDELINES AND THE GATT AND OTHER RELEVANT INTERNATIONAL AGREEMENTS;

(5) IDENTIFY DEFICIENCIES AND GAPS IN EXISTING DATA NEEDED BY THE COMMITTEE WITH A VIEW TO IMPROVING

NATIONAL INPUTS TO THE COMMITTEE AND CROSS-NATIONAL COMPARABILITY OF DATA.

PARTICIPATION

7. (NOTE: THE CONSENSUS OF THE MEETING THAT A LIMITED NUMBER OF NON-MEMBER COUNTRIES WILL BE INVITED TO PARTICIPATE WILL BE FORMULATED LATER IN THE DRAFT COUNCIL DECISION.)

INITIAL COMMITMENTS

8. THE MEMBERS OF THE STEEL COMMITTEE AGREE TO THE FOLLOWING MULTILATERAL GUIDELINES:

A. WITH RESPECT TO STEEL CRISIS TRADE ACTIONS:

1. NO ACTIONS SHOULD BE INCONSISTENT WITH GATT LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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PROVISIONS.

2. WHEN ACTIONS ARE NECESSARY THEY SHOULD BE AS LIMITED AND TEMPORARY AS PRACTICABLE AND APPROPRIATE TO THE CAUSES WHICH LED TO THEIR INTRODUCTION.

3. ALL ACTIONS OPEN BRACKET (1) CLOSE BRACKET OPEN BRACKET (INCLUDING, ON REQUEST, VOLUNTARY RESTRAINT AGREEMENTS) CLOSE BRACKETS TAKEN BY MEMBERS SHOULD BE REPORTED PROMPTLY TO THE STEEL COMMITTEE AND, IN CONFORMITY WITH GATT RULES, TO THE GATT. THE STATUS AND RATIONALE FOR MAINTAINING SUCH ACTIONS SHOULD BE REPORTED PERIODICALLY TO THE STEEL COMMITTEE. THE MEMBERS AGREE TO CONSULT ON ANY TRADE

ACTION OF INTEREST TO ANOTHER MEMBER.

4. WHEN TAKING ACTION UNDER DOMESTIC LAW AND PROCEDURES TO DEAL WITH SERIOUS DIFFICULTIES OF ITS INDUSTRY, A MEMBER SHALL TAKE INTO ACCOUNT THE CONCERNS OF TRADING PARTNERS THAT OPEN BRACKETS TRADITIONAL CLOSE BRACKETS TRADE FLOWS ESTABLISHED UNDER NORMAL CONDITIONS OF COMPETITION NOT BE SEVERELY DISRUPTED.

5. PRICE GUIDELINES SHOULD BE IN CONFORMITY WITH THE INTERNATIONAL ANTI-DUMPING CODE AND ARE APPROPRIATE ONLY DURING CRISIS PERIODS OF SUBSTANTIAL EXCESS CAPACITY IN EXPORTING COUNTRIES, WIDESPREAD PRICE CUTTING BY MANY EXPORTERS OVER MANY PRODUCTS IN THE IMPORTING MARKET OR ON WORIDARKETS, AND DEPRESSED DOMESTIC INDUSTRY CONDITIONS SUCH AS LOW CAPACITY UTILISATION, PROFITS, SALES, INVESTMENTS AND EMPLOYMENT. SUCH ACTIONS SHOULD BE EXPEDITIOUSLY REMOVED OR LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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LIBERALISED AS CONDITIONS IMPROVE.

6. SUCH PRICE GUIDELINES SHOULD EITHER NOT EXCEED THE LOWEST NORMAL PRICES IN THE SUPPLYING COUNTRY OR COUNTRIES WHERE NORMAL CONDITIONS OF COMPETITION ARE PREVAILING, OR NOT EXCEED PRICES COMPRISING OPEN BRACKETS THE SUMS OF THE LOWEST FULL COSTS OF PRODUCTION (INCLUDING OVERHEADS) AND PROFIT IN THE MOST EFFICIENT PRODUCING COUNTRY CLOSE BRACKETS; DELIVERY COSTS TO THE IMPORTING MARKET AND IMPORT DUTIES MAY BE INCLUDED AS REQUIRED.

BEGIN FOOTNOTE TO A3 ABOVE

OPEN BRACKETS (1) IT IS UNDERSTOOD THAT THESE INCLUDE ALL SAFEGUARD MEASURES SUBJECT TO A REPORTING REQUIREMENT IN THE SAFEGUARDS CODE NEGOTIATED IN THE M.T.N. CLOSE BRACKETS

END FOOTNOTE TO A3 ABOVE

OPEN BRACKETS B. MEMBER GOVERNMENTS REPRESENTED IN THE STEEL COMMITTEE RECALL THEIR DETERMINATION TO ABSTAIN FROM DESTRUCTIVE COMPETITION IN OFFICIAL SUPPORT OF EXPORT CREDIT; THEY AGREE THAT THEIR POLICIES IN THE FIELD OF EXPORT CREDIT FOR STEEL PLANT AND EQUIPMENT WILL BE FULLY CONSISTENT WITH THE ARRANGEMENT ON GUIDELINES FOR OFFICIALLY SUPPORTED EXPORT CREDITS AND CONTRIBUTE TO THE AVOIDANCE OF COMPETITIVE SUBSIDISATION OF SUCH EXPORTS. CLOSE BRACKETS

C. THE MEMBER GOVERNMENTS, RECALLING THE GENERAL ORIENTATIONS FOR ADJUSTMENT POLICIES ADOPTED AS PART OF THE COMMUNIQUE OF THE JUNE 1978 MEETING OF THE COUNCIL AT MINISTERIAL LEVEL, AGREE THAT DOMESTIC POLICIES TO SUSTAIN STEEL FIRMS DURING CRISIS PERIODS
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SHOULD NOT SHIFT THE BURDEN OF ADJUSTMENT TO OTHER COUNTRIES (E.G. BY ARTIFICIALLY STIMULATING EXPORTS OR BY ARTIFICIALLY DISPLACING IMPORTS). FURTHER, AS A GENERAL RULE, DOMESTIC MEASURES SHOULD NOT PREVENT MARGINAL FACILITIES FROM CLOSING IN THOSE INSTANCES WHERE THE FACILITIES CANNOT BECOME COMMERCIALY VIABLE WITHIN A REASONABLE PERIOD OF TIME.

D. THE MEMBERS OF THE STEEL COMMITTEE AGREE TO MAKE EVERY EFFORT TO PROVIDE EFFECTIVE PROGRAMMES FOR STEEL WORKER READAPTATION AWAY FROM FACILITIES IMPACTED BY STRUCTURAL ADJUSTMENTS INTO ALTERNATIVE EMPLOYMENT. TO THIS END, THE MEMBERS WILL PERIODICALLY EXCHANGE INFORMATION ON THE EFFECTIVENESS OF POLICIES AND PROGRAMMES TO ASSIST STEEL WORKERS AND COMMUNITIES.

E. ANY ACTIONS TO RESTRICT TRADE IN STEELMAKING MATERIALS SHOULD BE REPORTED PROMPTLY TO THE STEEL COMMITTEE AND BE SUBJECT TO CONSULTATION WITH AFFECTED PARTIES.

WORK PROGRAMME

9. WITH RESPECT TO THE COMMITMENTS AGREED IN THIS RESOLUTION, THE STEEL COMMITTEE SHOULD PROMPTLY UNDERTAKE AN EXAMINATION OF GOVERNMENT POLICIES AFFECTING THE STEEL SECTOR IN THE FOLLOWING AREAS:

(1) EVOLUTION OF TRADE FLOWS AND THE IMPACT ON THEM OF GOVERNMENT MEASURES;

(2) GUIDELINES FOR STEEL TRADE ACTIONS;
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(3) ADAPTATION OF PRODUCTION STRUCTURE THROUGH MODERNISATION, CLOSURES AND RECONVERSIONS;

(4) READAPTATION OF LABOUR;

(5) DOMESTIC POLICIES TO SUSTAIN STEEL PRODUCTION AND STIMULATE STEEL DEMAND IN TIMES OF

CRISES;

(6) DOMESTIC PRICING AND SUPPLY;

(7) GOVERNMENT EXPORT CREDITS FOR STEEL
PLANT AND EQUIPMENT.

THE COMMITTEE WILL CONTINUE THE WORK INITIATED
IN THE AD HOC STEEL GROUP AND MAY UNDERTAKE EXAMINA-
TIONS IN OTHER AREAS AS DEEMED APPROPRIATE BY THE
COMMITTEE MEMBERS.

KATZ UNQTE CHRISTOPHER

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